

ONE HUNDRED FIRST LEGISLATURE - FIRST SESSION - 2009
COMMITTEE STATEMENT
LB405

Hearing Date: Friday January 30, 2009
Committee On: Revenue
Introducer: Cornett
One Liner: Change income tax provisions related to planned gifts

Roll Call Vote - Final Committee Action:
Advanced to General File with amendment(s)

Vote Results:
Aye: 8 Senators Adams, Cornett, Dierks, Friend, Hadley, Louden, Utter, White
Nay:
Absent:
Present Not Voting:

Proponents:

Senator Abbie Cornett
Peter M. Graff
Jeffery Peetz
Maxine Moul
Michael Nolan
Ron Sedlacek
Thomas O'Neill

Rick G. Carter
Gary Nelson

Representing:

Introducer
Nebraska Community Foundation
Lincoln Community Foundation
EndowNebraska
League of Nebraska Municipalities
Nebraska Chamber of Commerce
Association of Independent Colleges and Universities of NE, and rep. James Cavanaugh, Creighton Univ.
Lincoln/Lancaster County Human Services Federation
Nebraska Childrens Home Society and Foundation

Opponents:

Representing:

Neutral:

Representing:

Summary of purpose and/or changes:

LB 405 amends Nebraska's Charitable Tax Credit (LB 1010) as passed in 2006. The Nebraska Charitable Tax Credit is for irrevocable planned gifts to the permanent endowments of Nebraska's nonprofits.

Current law provides for a maximum annual credit of \$5,000, no carry forward or carry-back. LB 405 increases the maximum annual credits per taxpayer to \$10,000 with five years carry forward.

LB 405 increases the credit against income tax allowed for a resident individual for a planned gift from 15 percent to 50 percent. The maximum credit is increased from \$5,000 to \$10,000, not to exceed the amount of tentative tax credit approved for the year. Any approved amount could be carried forward five years.

Additionally, for any contribution other than a planned gift from a resident individual, a 25 percent credit against income tax would be allowed. Maximum credit would be capped at \$10,000, not to exceed the amount of tentative tax credit approved for the year.

A contribution to a qualified endowment by a small business corporation, partnership, or limited liability company qualifies for a credit. The credit shall be attributed to shareholders, partners, or members, in the same proportion used to report the corporation's, partnership's, or limited liability company's income or loss for tax purposes up to an increased maximum of \$10,000 (current law is \$5,000) or the amount of the tentative credit approved for the tax year, whichever is less this year. The approved amount can be carried forward for up to five years. Additionally, corporations that are not taxed as a subchapter s corporation shall be allowed a credit in an amount equal to 25 percent (current law is 10 percent) of any contribution made. LB 405 increases the maximum credit amount from \$5,000 to \$10,000 subject to the amount of tentative tax credit approved. Any approved amount can be carried forward five years.

A contribution to a qualified endowment by a resident estate or trust qualifies for a credit if the contribution is a planned gift or an outright gift and the credit and any credit not used by the estate or the trust may be attributed in the same proportion used to report the beneficiary's income from the estate or trust for Nebraska income tax purposes. LB 405 increases the maximum credit per beneficiary from \$5,000 to \$10,000 and is capped by the tentative credit approved for the tax year. The amount may be carried forward up to five years.

The taxpayer is required under LB 405 to file an application for tax credits. LB 405 limits the amount of tax credits to be approved at \$3.5 million for each calendar year.

Explanation of amendments:

The Committee adopted AM722. AM722 removes all provisions of the original bill except for the provision extending the sunset provision. AM722 extends the sunset provision one year until January 1, 2011.

Abbie Cornett, Chairperson